



PUBLIC MEETING

Utah Committee of Consumer Services

Utah Department of Commerce
October 10, 2007



Welcome & Business



Case Updates

Michele Beck



CASE UPDATES

Recent Case Activity

- CET
 - Hearings September 18 – 20
 - Awaiting Commission Order
- Deferred Accounting
 - Filed rebuttal testimony October 1st
 - Surrebuttal due Oct 22nd, Hearing Oct 30th
- Depreciation
 - Direct testimony to be filed on Monday
 - Rebuttal Nov 6th, Hearing Nov 14th
- DOE Grant
 - Utah State Energy Office awarded grant
 - Work begins later this month



Resource Evaluation

Michele Beck



Resource Evaluation

Introduction and Background

- Past meetings examined relevant topics:
 - IRP, RFP processes
 - Potential climate change initiatives
- Specific plans are developing and require Committee input



Resource Evaluation

Current Processes Protect Consumers

- Integrated Resource Plan
 - Determines least cost/least risk plan
 - Measures cost effectiveness
- RFP for Resource Acquisition
 - Helps ensure least cost specific options
- Prudency Review
 - Either in RFP or ratemaking processes
 - Evaluates costs paid by consumers



Resource Evaluation

Current Processes Could Evaluate Emerging Issues

- What level of renewables is cost effective?
- Could nuclear power meet upcoming power needs cost effectively?
- How does the least cost/least risk (LC/LR) mix of resources change if you quantify the value of emissions and water use?
- What is the cost differential between LC/LR and RPS?
- How would a carbon tax change the dispatch of existing resources and the LC/LR mix of future resources?

Resource Evaluation

Benefits of Using this Analysis

- Analytical framework provides many advantages
 - Consistency
 - Utilizes existing consumer protection measures
 - Ties the discussion to actual system needs
- Standalone resource evaluation is problematic
 - Side by side kWh costs can be misleading
 - Discussions are often less analytical



Resource Evaluation

Use of Analysis

- Three issues require Committee input
- Staff will present issues using analysis as described
- Discuss approach at end



Renewable Energy Initiative (REI)



Resource Evaluation

REI Overview

- Held weekly meetings for two months
- CCS staff provided input to draft report
 - Many comments incorporated
 - Some ideas did not have support from others
- Opportunity to now submit “letterhead” comments as part of the appendix to the report



Resource Evaluation

REI Issues for Proposed Comments

- Need greater incorporation of consumer impacts
 - Utility money = consumer money
 - Are costs outweighed by benefits?
- Need additional and more rigorous analysis
 - Cost effectiveness compared to cost of targets
 - Broader look at other states' models
 - Analysis to measure economic development
- Better ties to existing regulatory processes
 - Utilizes existing consumer protections
 - Provides framework for analysis
 - Missed opportunities to make recommendations for improvements



Legislation Promoting Nuclear Energy



Resource Evaluation

Overview of Proposed Nuclear Legislation

- Allows recovery of all costs incurred pursuing development of nuclear energy
 - No prudency review
 - Recovery even if resource never goes online
- Exempts nuclear from regulatory processes
 - Minimal standards to receive CPNC
 - Complete exemption from RFP process



Resource Evaluation

Proposed Committee Position

- Oppose legislation in current form
 - Consumer protections must be maintained
- If nuclear energy is right for Utah at this time, should stand on its own in a least cost/least risk analysis
 - Recommend its inclusion in future IRPs
- State energy policy supports study of nuclear energy
 - Study should include unbiased examination of costs, potential sites (considering transmission and water needs), and options for dealing with waste



Potential Carbon Reduction Legislation



Resource Evaluation

Key Aspects of Potential Legislation

- Target: 20% of retail sales met by renewables in 2025
 - Adjust retail sales down to recognize value of no-carbon-emissions resources
 - Must be cost effective
 - Applies to all electric providers
- Interim compliance filings, not targets
- Prudently incurred costs may be deferred and recovered in rates
- Establish regulatory framework for carbon sequestration and geologic storage



Resource Evaluation

Proposed Committee Position

- Contains adequate consumer protection
 - Cost effectiveness test
 - Prudency review
 - No interim targets
- Addresses many contentious political issues
- Committee could “not oppose” the legislation



Discussion Regarding Approach



Low-Income Assistance Programs Legislation

Cheryl Murray



Low-Income Assistance Programs Legislation

Current Assistance Program

- RMP Lifeline Program (HELP)
 - Available for qualifying residential customers
 - \$8 Low-income lifeline credit
 - \$10 Life support assistance credit
 - Funded through surcharge on non-participants monthly electricity bills
 - Residential customers \$0.13
 - Small commercial \$0.23
 - Irrigation \$0.70
 - Larger commercial & industrial \$6.25



Low-Income Assistance Programs Legislation

Current Assistance Program Cont.

- The PSC authorized the HELP program in 2000
 - Determined HELP must pass cost/benefit analysis
- Committee has voted to support HELP program
 - Provides benefits to low-income participants
 - Provides benefits to non-participants
 - Reduces utilities costs for arrearages, collections, termination, and reconnections
 - » These costs are passed on to customers in rate case



Low-Income Assistance Programs Legislation

Draft Legislation

- Gives PSC explicit authority to approve low-income residential credit programs for electric or gas corporations
 - Credit amount to be determined by PSC
- Funded through surcharge on utility bills
 - Program funding not to exceed 0.5% of the utility's UT regulated retail revenues
 - Amount to be determined by PSC
 - Capped at \$50.00 per month for any customer
- Credit & surcharge may be adjusted in a rate case or separate PSC proceeding

Low-Income Assistance Programs Legislation

Discussion

- Maintains PSC's authority over program details
- Cost/benefit analysis would no longer be required
 - PSC requires DPU to conduct a cost/benefit analysis
 - Analysis is time consuming and it is difficult to quantify benefits attributable only to HELP
 - As utility rates increase current requirement may mean less meaningful benefits to low income consumers
 - Cost/benefit analysis is not required in other states
- Provides PSC more flexibility to adjust credit and surcharge as appropriate
- PSC could order program for Questar Gas' customers also



Low-Income Assistance Programs Legislation

Discussion

- All residential customers will likely pay the same surcharge regardless of income level
 - As per current program
 - Commission could set surcharge on usage based scale or per customer rather than per meter, ect.
- Commercial and Industrial customers are likely to oppose bill unless cap amount (\$50) is lowered
 - If cap amount is lowered could shift additional cost to other customers



Low-Income Assistance Programs Legislation

Committee Input on Options

- Do nothing and let process proceed
- Support draft legislation as it exists
- Oppose draft legislation
- Advocate for a change in the total program funding amount (0.5%)
- Advocate for other changes
 - “public interest” standard for Commission to implement changes
 - Suggestions for others?



New CCS Website

Chris Keyser



NEW CCS WEBSITE

Website Restructuring Objectives:

- Offer a consumer friendly Website (in content and design)
- Provide information about what we do and how we do it
- Offer basic “Utility 101” educational resources
- Provide easy access to energy safety and conservation tips, rebates and tax incentives, energy bill assistance programs & complaint process
- Provide briefings of utility issues
- Provide consumer alert messages and information on how to get involved
- Offer email subscription to newsletter & other mailings



NEW CCS WEBSITE

Website Target Dates

- October 15th – Website Content Completed
- November 1st – Ultimate Review
- November 13th thru 15th – Website Preview
 - Committee members and staff will have an opportunity to preview the site online and provide constructive feedback.
- November 19th – Website Launch Date!



Gas Pass-through Filing and Overview of Gas Supply

Eric Orton



October 4, 2007 Pass-Through

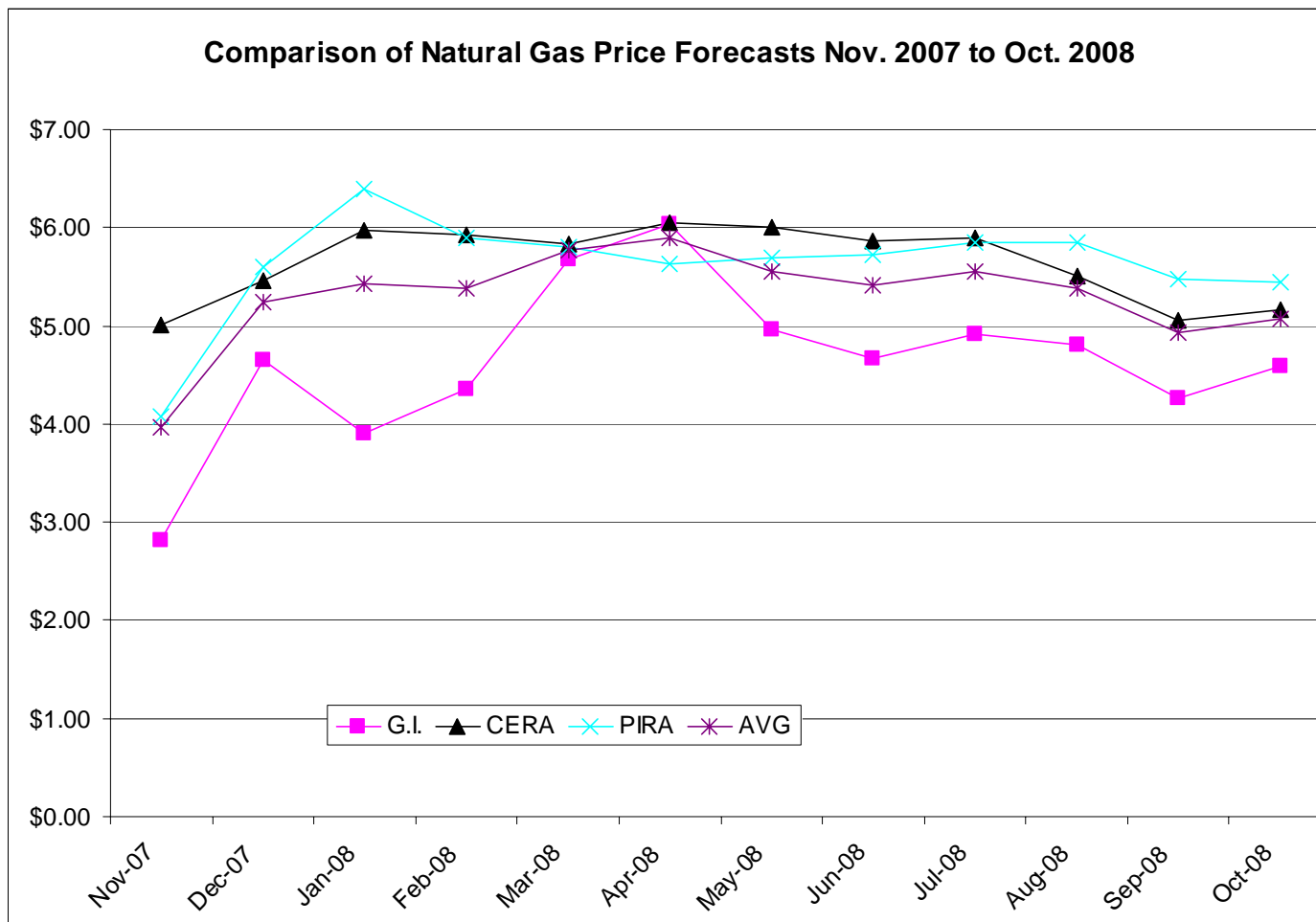
- \$90m decrease (9.56%)
 - \$35m in non-gas costs
 - Volume related Gathering, Processing, Pipeline and Storage charges
 - \$55m in gas cost forecast
 - Estimated 12 month commodity price and volume purchases



What's New?

- Forecasting Company used
 - GI (Global Insight, Inc.) -practice-
 - Average of GI, PIRA (PIRA Energy Group) and CERA (Cambridge Energy Research Associations, Inc) – proposed-
- CO2 plant collection ends 2/1/08

Nov '07 – '08 Forecast



Source: Questar Gas Company's filing, Docket No. 07-057-09



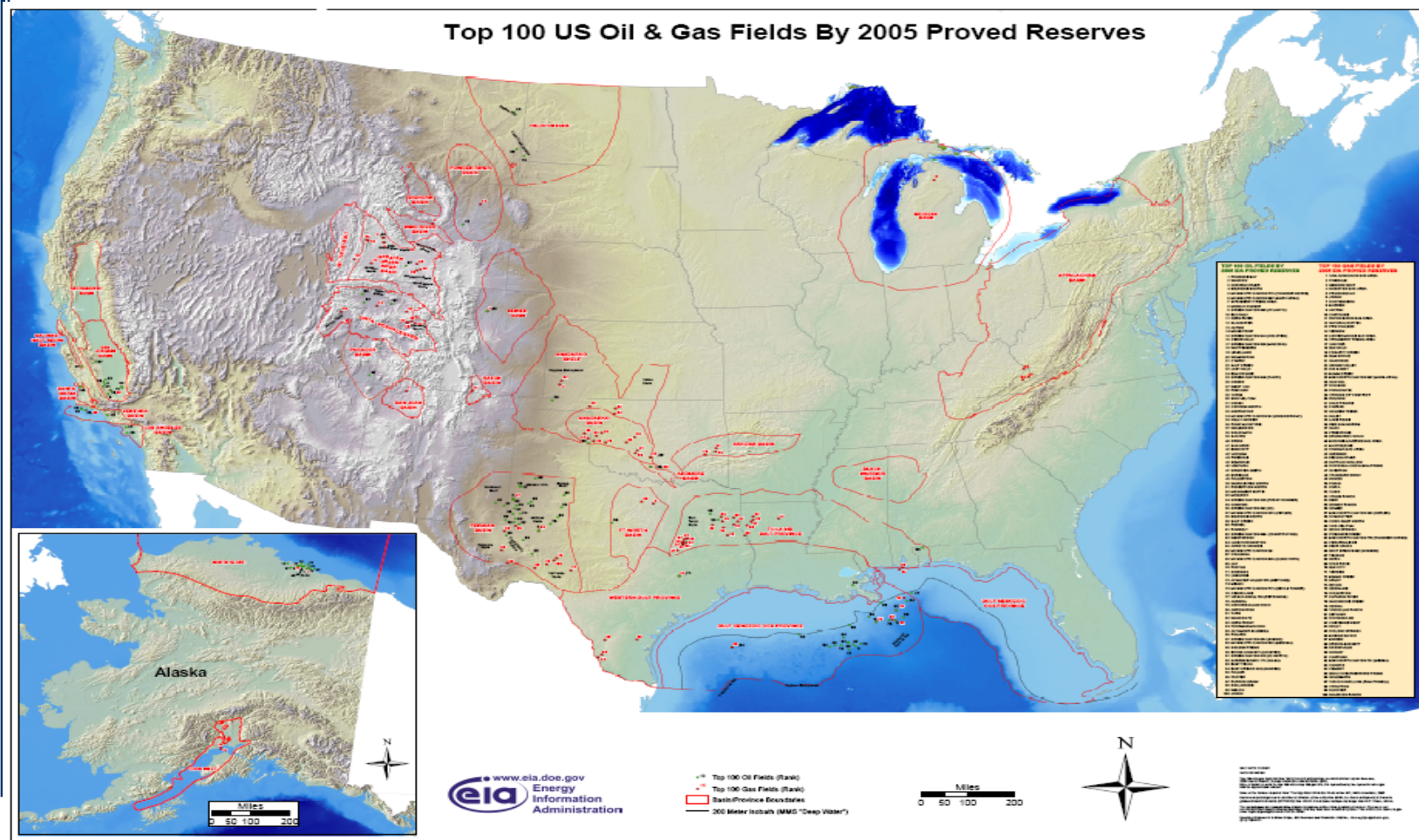
Questions?



Natural Gas Supply

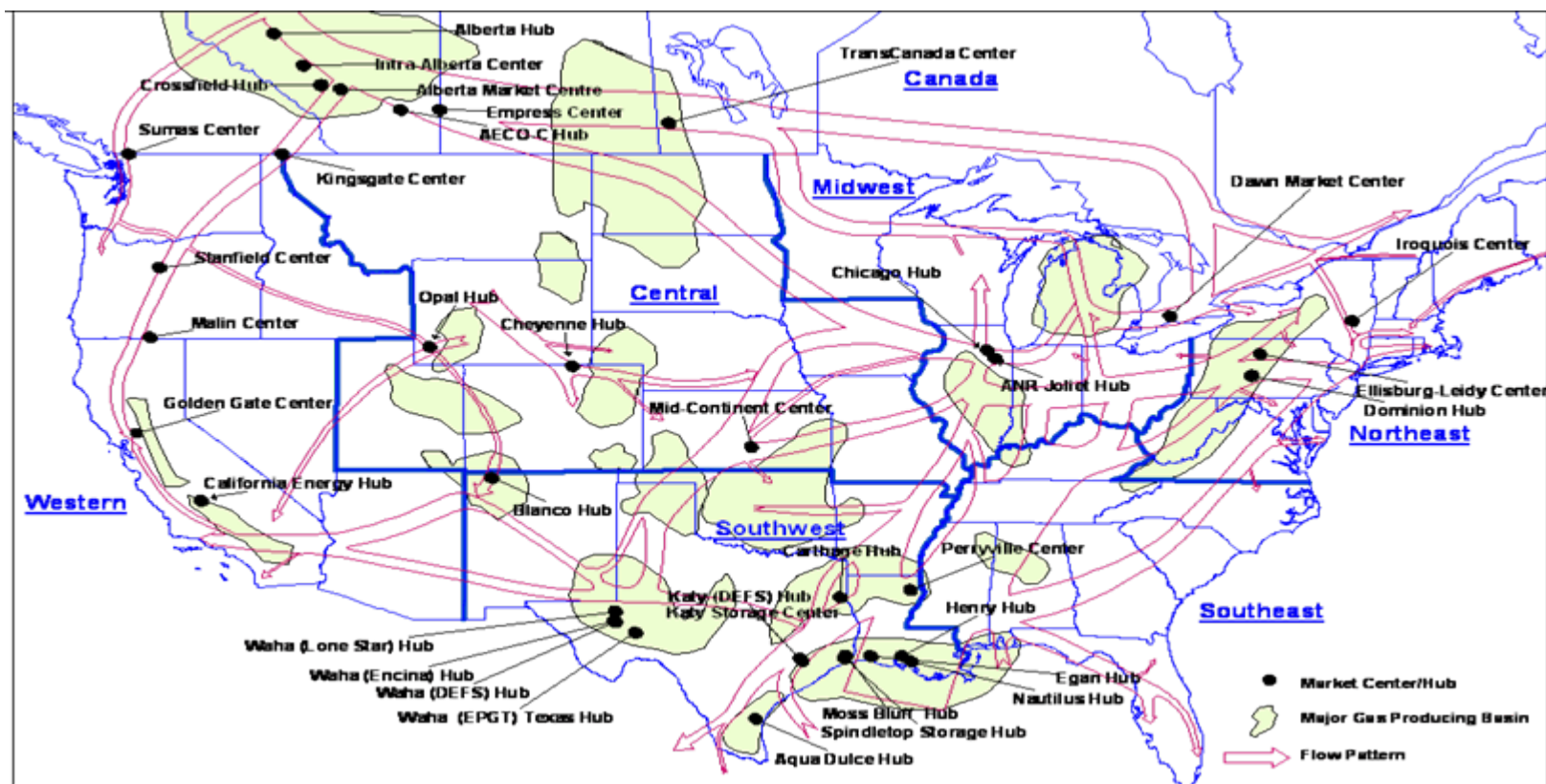
- Sources
 - Where it is produced
 - Where it is consumed
- Delivery Pipelines
 - How it is transported
- Quality
 - What is it made of

US Natural Gas Sources



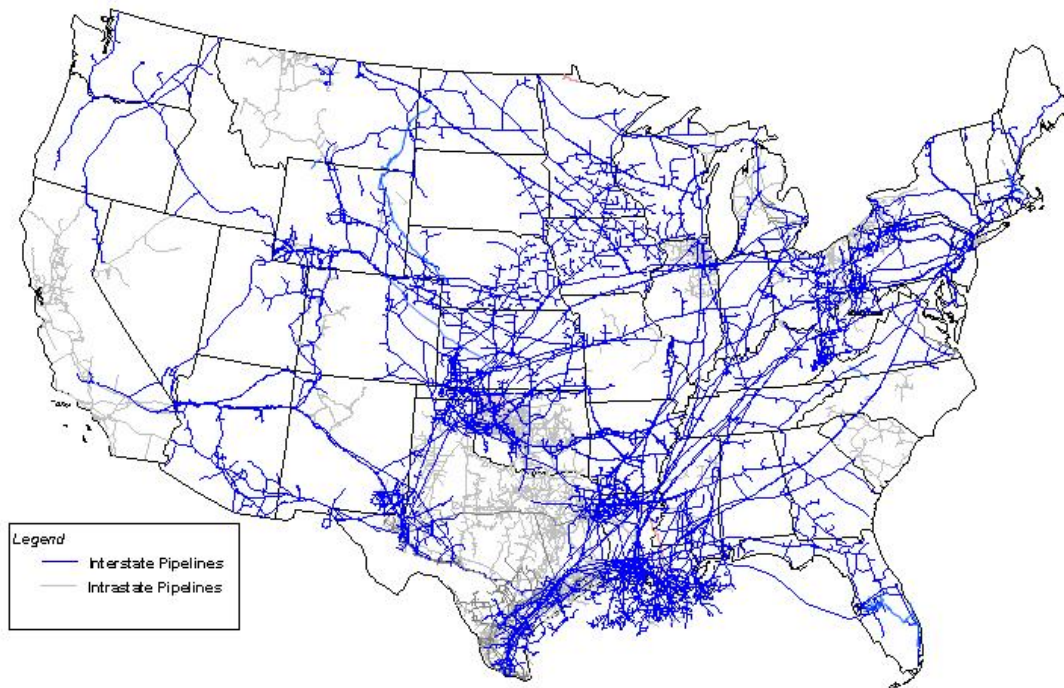
Source: eia.gov

Volume Flow in U.S.



Source: eia.gov

Major Pipelines in U.S.



Source: Energy Information Administration, Office of Oil & Gas, Natural Gas Division, Gas Transportation Information System

Questar's Rocky Mountain Area

— Questar Pipeline System

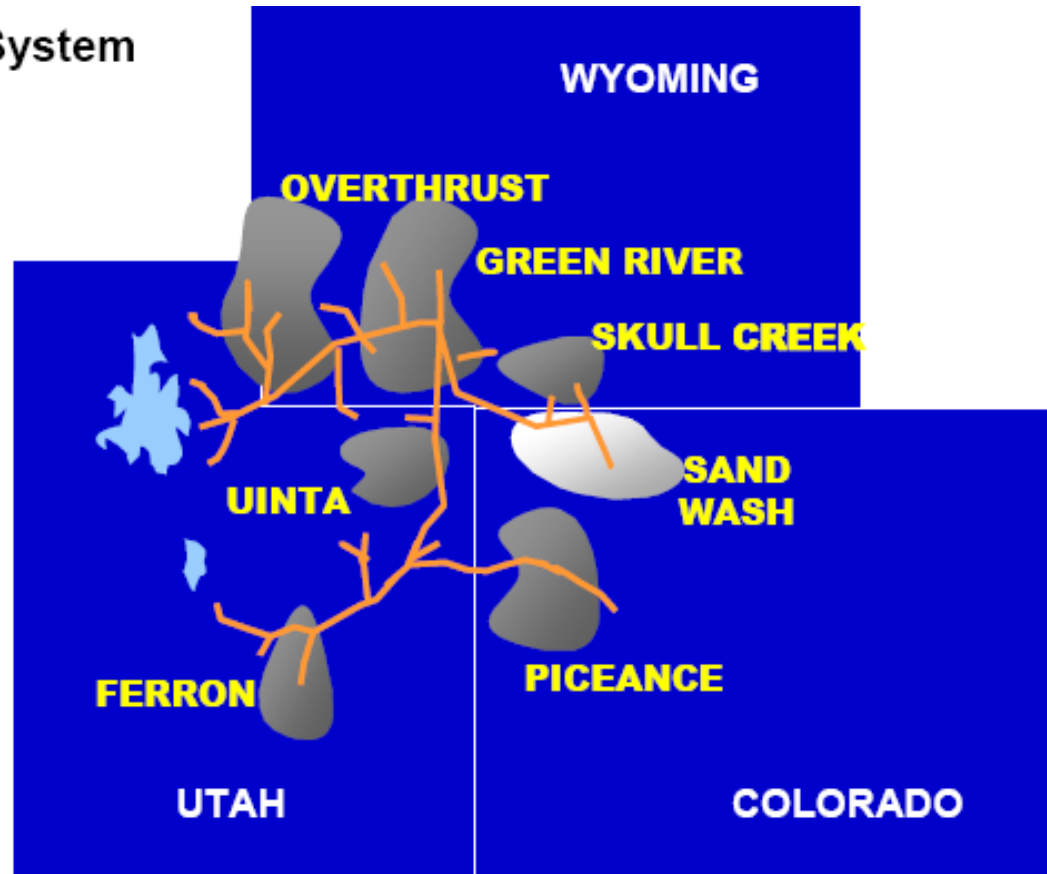
● Principal Basins

Overthrust
Green River
Skull Creek
Sand Wash

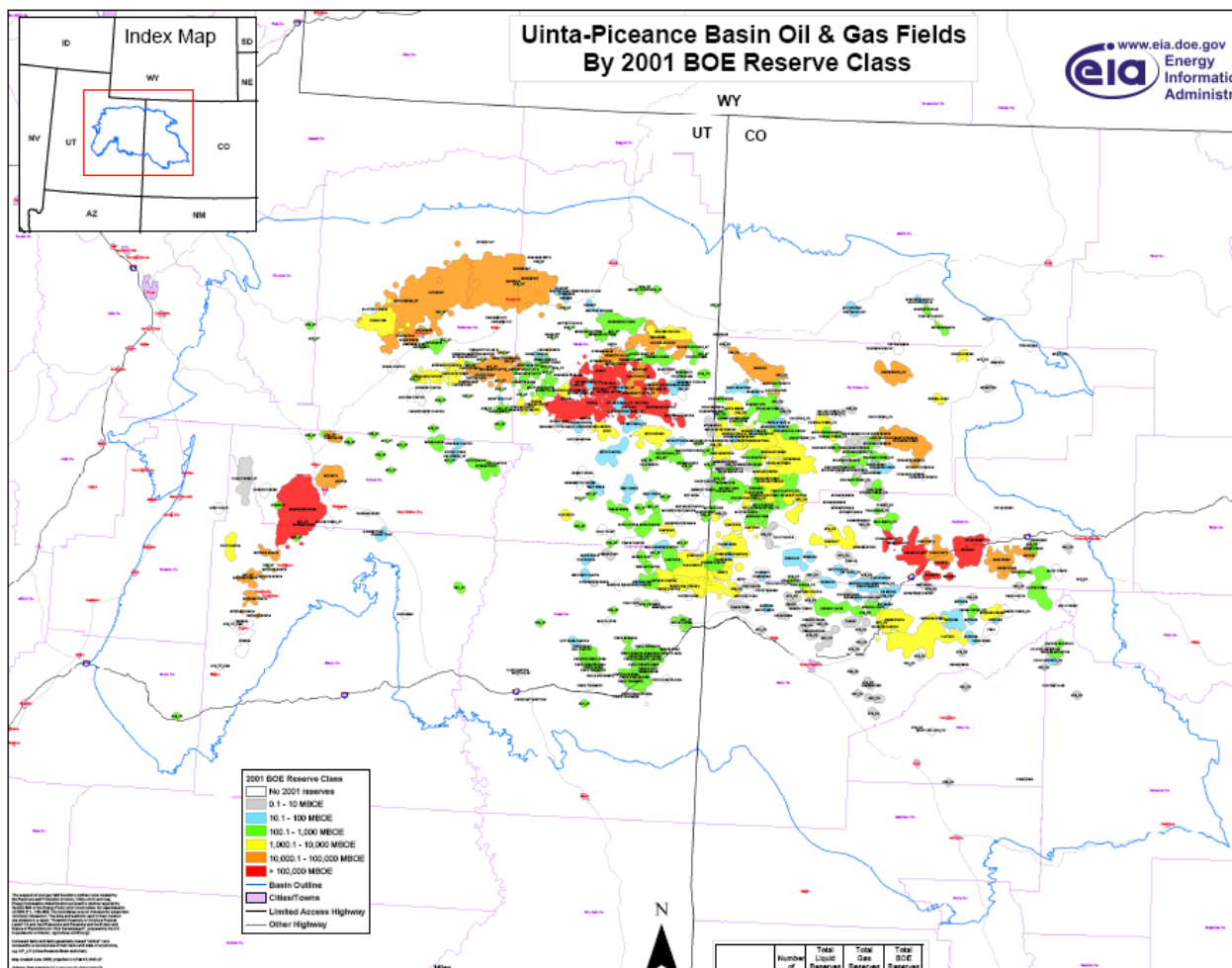
Uinta
Piceance
Ferron

Secondary Basins

Powder River
Wamsutter
Big Horn
Wind River
San Juan

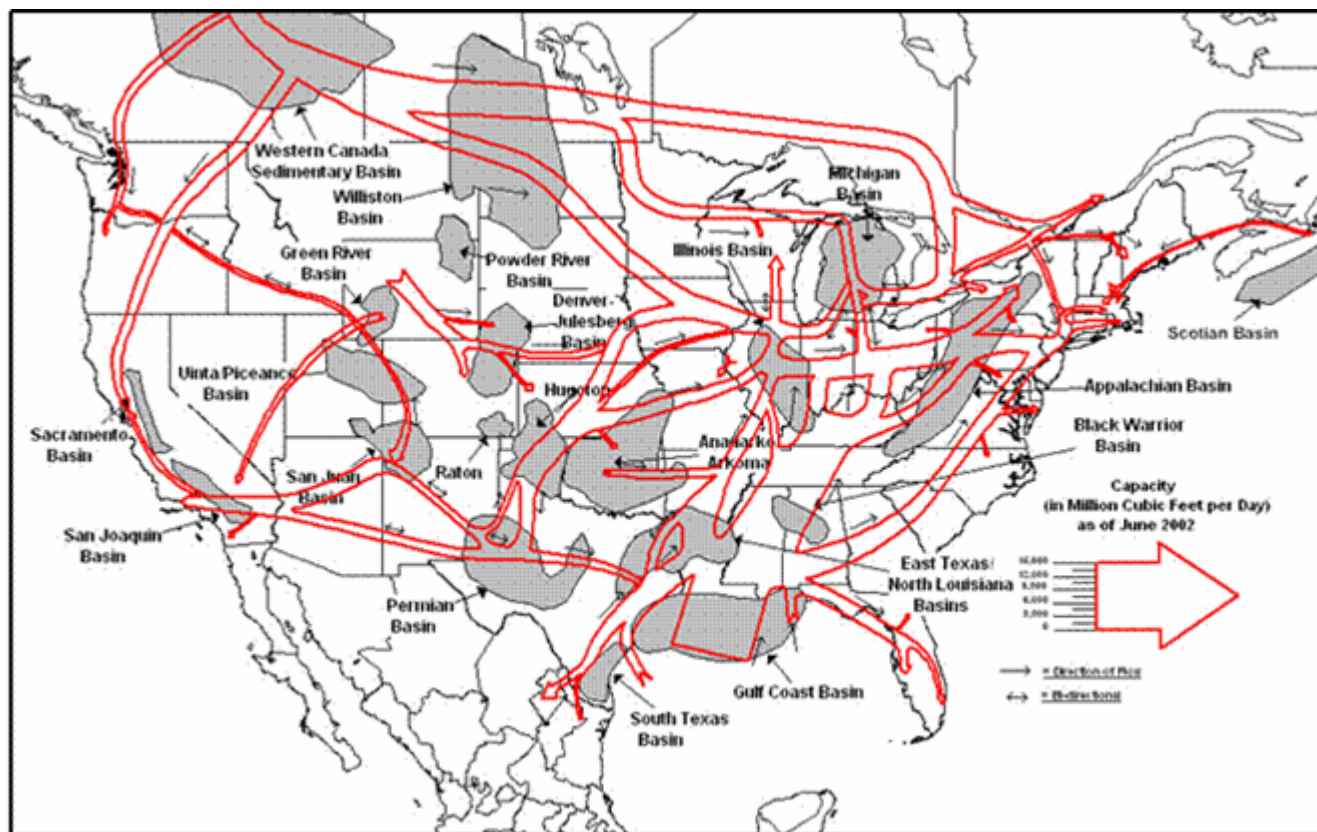


Utah Area Producing Basin



Source: eia.gov

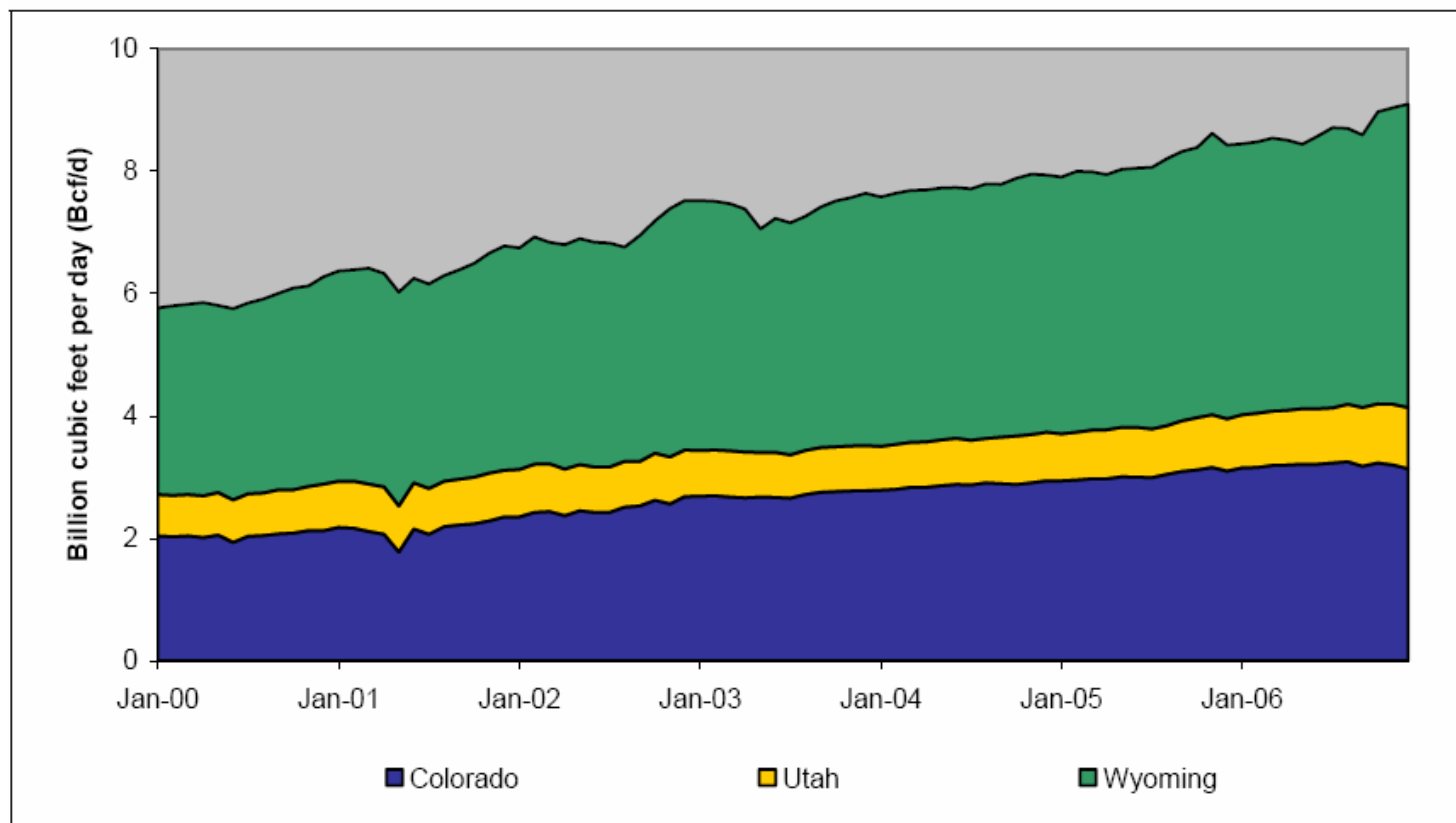
Delivery Pipelines or Where our Production Goes



Source: Energy Information Administration, Office of Oil and Gas, Natural Gas Division, Gas Transportation Information System

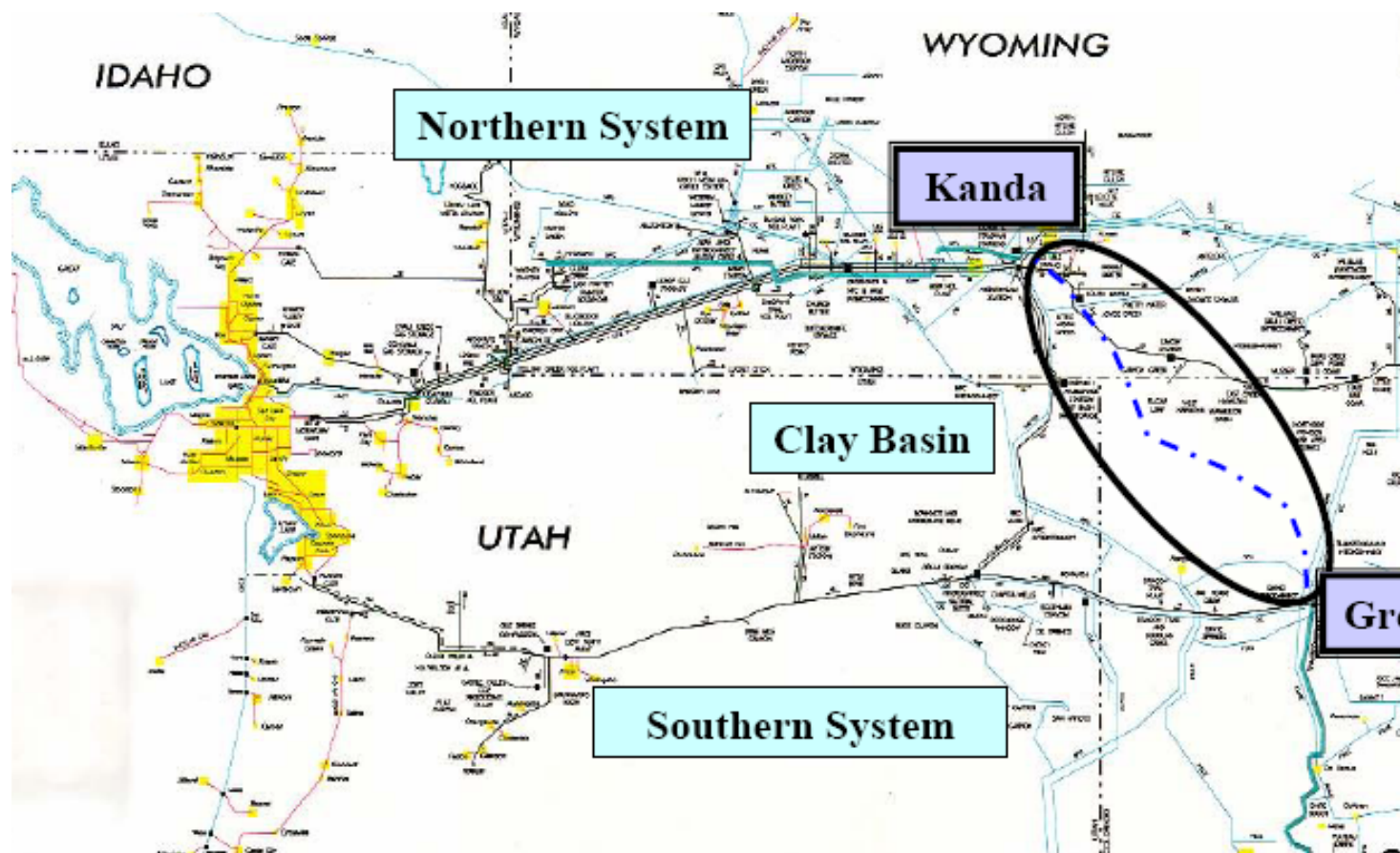
Rocky Mountain Production Growth

Figure 1. Dry Natural Gas Production: Colorado, Utah, and Wyoming, 2000-2006

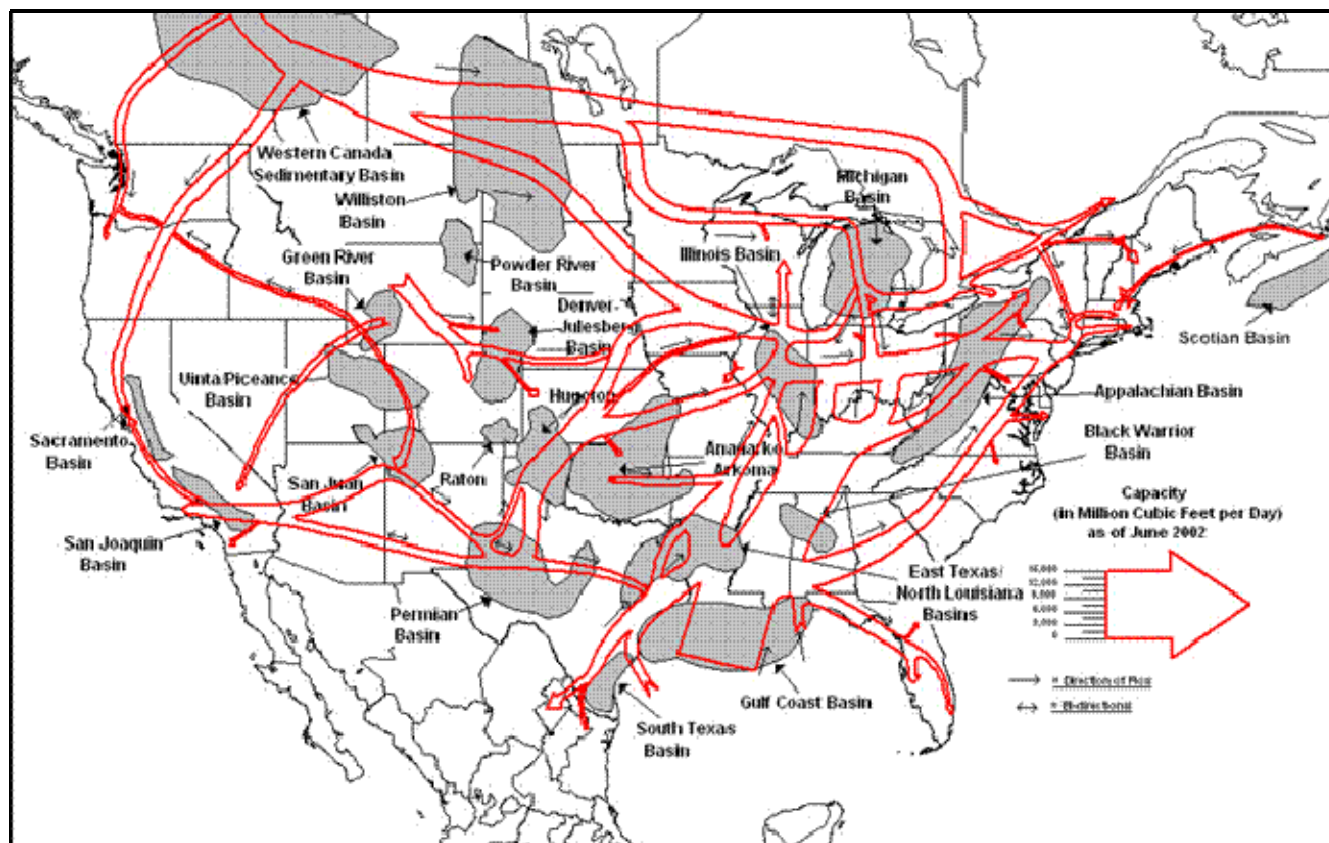


Source: Energy Information Administration, *Natural Gas Monthly*.

QPC's System Map



National Gas Quality incl LNG

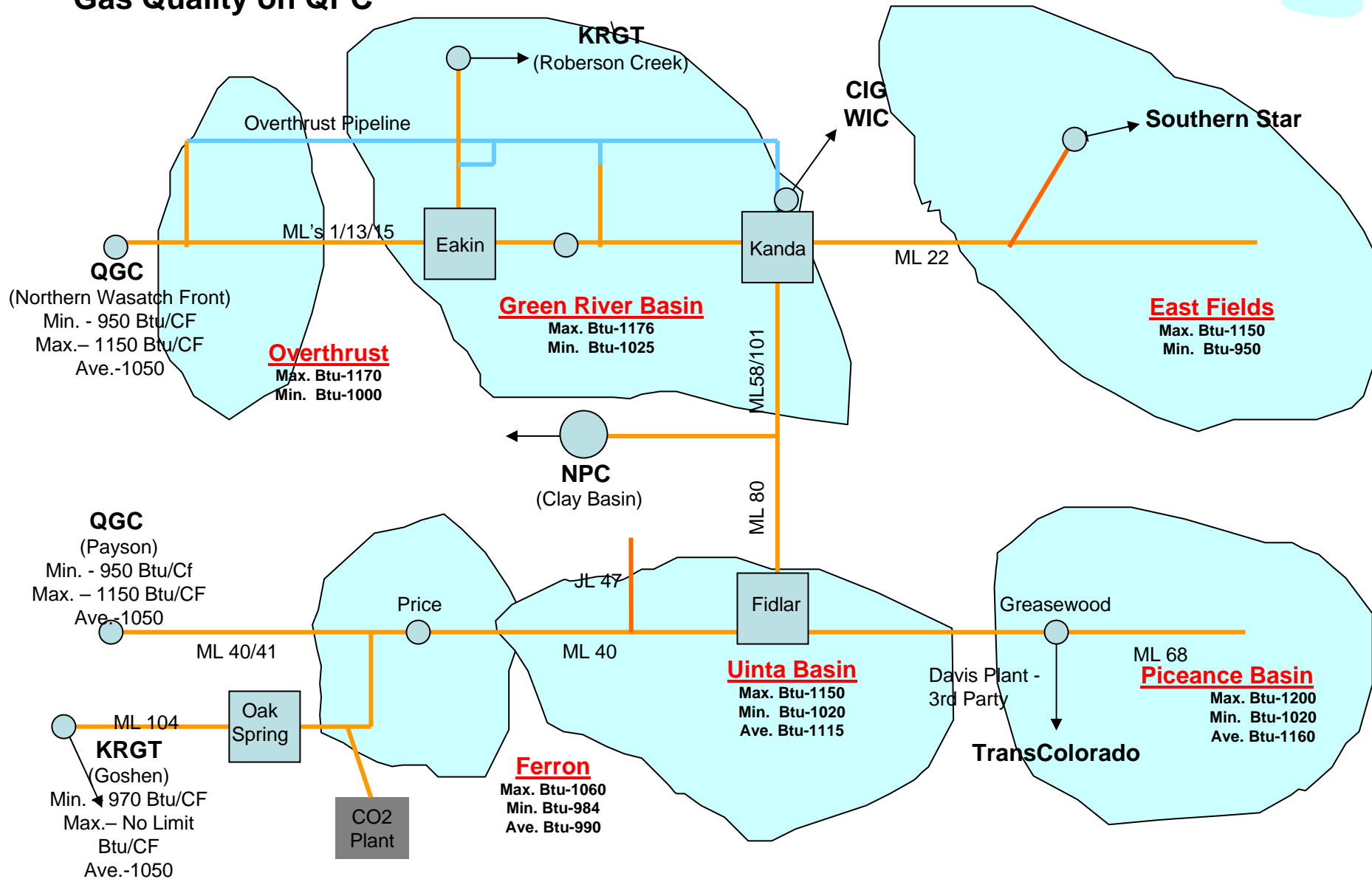


Source: Energy Information Administration, Office of Oil and Gas, Natural Gas Division, Gas Transportation Information System

Gas Quality Overview

- Customers are charged by average BTU while measured by Cubic Foot
- BTU varies by well
- No wells are straight methane
- Heavier = Wetter = Hotter = Higher BTU #
- Lighter = Drier = Cooler = Lower BTU #
- Interchangeability = one gas for another

Gas Quality on QPC





Going Forward

- Continuing to monitor national and regional natural gas issues benefits our constituents.
- Committee Staff have recommended in our Integrated Resource Plan and Pass-Through comments that Questar provide the Committee information on gas quality so we can help protect our constituents as parameters evolve.



Consultant Budget



Consultant Budget

Update on Consultant Contracts

- Pursued new contracts and amendments as directed at last meeting
 - All amendments are in process
 - Two RFPs issued and responses received (evaluation scheduled for next week)
 - Final RFP will be issued this week
- Will need to convene a Committee meeting prior to December to report RFP results



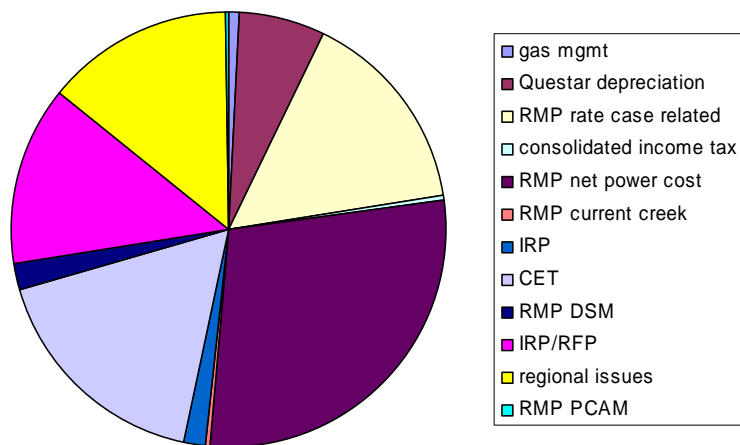
Consultant Budget

Proposal for Additional Contract Extension

- Hayet Power Systems Consulting
 - Net Power Cost
 - Special contracts
 - IRP modeling
 - Avoided cost methodology
- Contract expired October 1, 2007; balance remains in contract
- Proposed extension to October 1, 2009

Consultant Budget

Consultant Expenditures FY07



RMP net power cost	28.7%
CET	17.3%
RMP rate case related	15.2%
regional issues	14.0%
IRP/RFP	13.3%
Questar depreciation	6.4%
RMP DSM	1.8%
IRP	1.6%
gas mgmt	0.7%
consolidated income tax	0.3%
RMP current creek	0.3%
RMP PCAM	0.3%



Consultant Budget

P&T Funds: Overview

- Non-lapsing to accommodate cyclical nature of work
- Current large balance is key to success in two concurrent rate cases
- Projected spending is rough estimate until RFP responses evaluated



Consultant Budget

Projected P&T Spending

RMP Rate Case	\$300 – 400K
Questar Rate Case	\$200 – 250K
Depreciation	\$50 - 75K
Deferred Accounting	\$25 – 40K
RFP Analysis	\$25 – 100 K
Regional Issues	\$50K
Other Casework	??



Consultant Budget

Policies for Use of Consultants

- Match expenditures to priorities as closely as possible
 - Some issues require disproportionate resources due to market availability of relevant expertise
- Closely manage work to ensure good performance
- Implement new split of workload:
 - Policy witnesses from Committee staff
 - Outside consultants focus on technical issues



Other Business / Adjourn
